

AR11

annual report 1974



Metro Trust
The Metropolitan Trust Company

DIRECTORS

- * THE RIGHT HON. ROLAND MICHENER, P.C., Q.C.
Chairman of the Board—The Metropolitan Trust Company
- * RUDOLF V. FRASTACKY
Executive Deputy Chairman of the Board—The Metropolitan Trust Company
- * T. STEWART RIPLEY
President—The Metropolitan Trust Company
- * JAN DUINKER
Vice-President—The Metropolitan Trust Company
President—Netherlands Overseas Corporation Canada Limited
- LOUIS G. ALLEN
President and Chief Administrative Officer—
Manufacturers National Bank of Detroit
- DR. JOACHIM BORCHART
General Partner—Bankhaus Friedrich Simon, K.G.a.A., Düsseldorf, West Germany
- * JOHN D. BRADLEY
President—Bradley Farms Limited
President—First Chatham Corporation
- JOSEPH A. N. CHIAPPETTA, Q.C.
Barrister and Solicitor—Partner—Gambin, Bratty, Chiappetta, Morassutti & Caruso
- THE HON. DOUGLAS S. HARKNESS, P.C., G.M., E.D., B.A.
Member of the Privy Council of Canada
Farmer
- J. ALEX. LANGFORD, Q.C.
Barrister and Solicitor—Partner—Miller, Thomson, Sedgewick, Lewis & Healy

DR. FRANZ MAIER
Bank Director and Member of the Board of Management
Bayerische Landesbank Girozentrale, Munich, Germany

- * J. JACQUES PIGOTT
Executive Vice-President—Pigott Construction Company Limited
- * LAWRENCE W. SKEY, D.F.C., B.Comm.
Managing Director—Economic Investment Trust Limited

SENATOR, THE HON. RICHARD J. STANBURY, Q.C.
Barrister and Solicitor—Cassels Brock

NIKOLAUS von NIJESSEN
Manager—Credit Suisse (Canada) Limited

DR. HANS HEINRICH RITTER von SRBIK
General Partner—Bankhaus H. Aufhauser, Munich, Germany

* *Members of Executive Committee*

OFFICERS

Chairman of the Board—The Right Hon. Roland Michener
Executive Deputy Chairman of the Board—Rudolf V. Frastacky
President—T. Stewart Ripley
Vice-President—Jan Duinker
Vice-President and General Manager—A. Jack Russell
Vice-President—Real Estate—Donald H.W. Bath
Vice-President—Western Region—Frank P. Benner
Vice-President—Mortgage Banking—J. Malcolm Wreden
Secretary-Treasurer—Lloyd B. Will
Assistant Treasurer—Edwin J. Carter, C.A.
Assistant Secretary—Margo E. Lindner

DIVISIONAL MANAGERS

Branch Division—Frederick J. Lockhart
Mortgage Division—Philip A. Armstrong
Personnel Division—Kenneth A. Garner
Property Management Division—Ted Stella
Systems Division—Joseph A. DeKort
Trust Division—Warren Thompson

ASSISTANT CONTROLLERS — Accounting Division

H. Vernon Paige
Maryann Vanek



The Metropolitan Trust Company



PRESIDENT'S REPORT TO THE SHAREHOLDERS

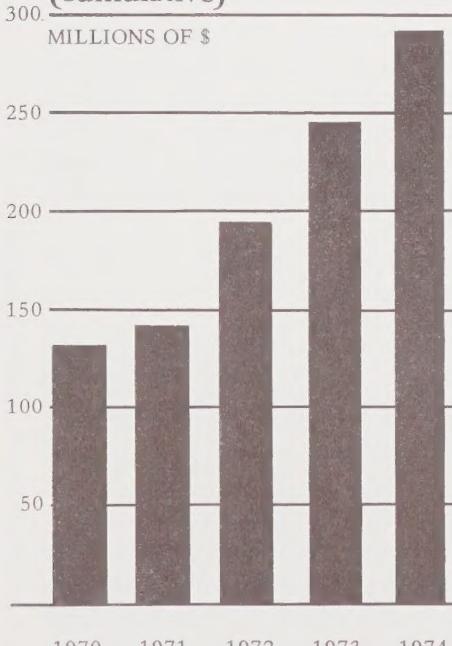
On behalf of the Board of Directors I am pleased to submit the 1974 Annual Report of your Company. We have completed twelve full years of operation, and in each year have shown increased growth and profitability in this cyclical industry.

There were a number of changes in Officers and Directors during the year. Mr. Friedrich Simon, Honorary Chairman of Bankhaus Friedrich Simon, K.G.a.A., Düsseldorf, West Germany, a Director of the Company from the beginning, did not stand for re-election at the last Annual Meeting as he had reached retirement age. We were pleased to welcome Dr. Joachim Borchart, General Partner and President of Bankhaus Friedrich Simon, in his place. The Right Honourable Roland Michener rejoined

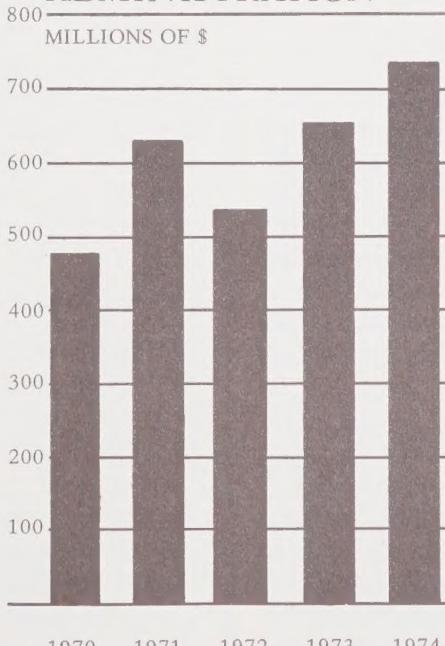
our Board in February, 1974, on expiration of an extended term as Governor General of Canada. Mr. Michener was the first Chairman of The Metropolitan Trust Company and resigned at the time of his appointment as Canadian High Commissioner to India in 1964. Your Board, after last year's Annual Meeting, elected Mr. Michener as Chairman. Mr. R.V. Frastacky graciously stepped aside to make way for Mr. Michener's election, assuming the position of Executive Deputy Chairman of the Board.

I am particularly pleased to announce the promotion of Mr. A.J. Russell to Vice-President and General Manager, in charge of the day-to-day operations of the Company. Mr. Russell joined the Company in 1966, and has held successively, positions of increasing responsibility in our organization.

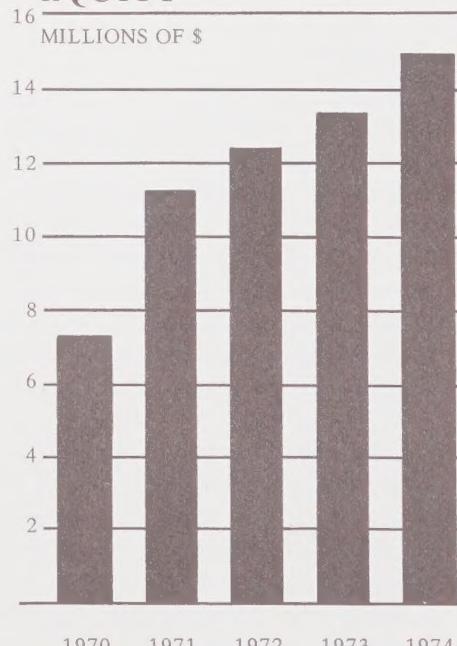
**GROWTH OF DEPOSITS
(cumulative)**



**TOTAL ASSETS UNDER
ADMINISTRATION**



**SHAREHOLDERS'
EQUITY**





Metro Trust

The Metropolitan Trust Company

and its subsidiaries

REPORT TO SHAREHOLDERS (continued)

Mr. D.H.W. Bath, formerly Vice-President of Marketing, has been appointed Vice-President and General Manager of our subsidiary, Canadian First Mortgage Corporation. Canadian First Mortgage is placing emphasis on expansion through agents who will promote the sale of its debentures, and the placing of mortgages in areas outside of those served by the Trust Company's branches. The head office of this subsidiary has been moved to 15 Toronto Street.

Miss Margo Lindner was appointed Assistant Secretary replacing Miss Marion Greer who resigned to enjoy married life.

Mr. A.G. Vuk, Vice-President, International Division, reached retirement age during 1974 and resigned as Vice-President. Mr. Vuk's services are not being lost to us altogether: he has consented to act as a consultant with specific responsibility for one of our larger client's accounts.

EARNINGS

Although 1973 was a record year for profits from operations, 1974 has exceeded 1973 in total net earnings per share. The lower operating profit compared to 1973 was caused primarily by the narrowing of interest spreads as rates continued to rise throughout the year. In addition, reduced fee income in our international real estate activities, a result of a combination of economic conditions and legislative actions, further reduced operating income.

In the fourth quarter of 1974, we realized a net gain of \$744,000 on the sale of securities. Included in the securities sold were practically all of our low-yielding long-term municipal and corporate bonds acquired by York Trust and Savings Corporation prior to the merger with The Metropolitan Trust Company in 1968.

The reinvestment at current rates of the proceeds from the sales of securities will improve earnings from investments in 1975 and future years. In addition, the reduction in the market deficiency of securities will improve the Company's borrowing base, and thus permit the Company to accept increased deposits in excess of those which would otherwise have been permissible.

DIVIDENDS

Your Directors took an innovative step in 1974 when they approved a stock dividend of 5% instead of the 88 cents per share cash dividend (approximately 3.6%) which was paid in 1973. This move was taken to improve the capital base of the Company, and at the same time give to shareholders a real benefit in that the stock dividend resulted in a lower tax rate to you. Last year we said that whether or not this procedure would be continued would depend upon general shareholder reaction. The response we received indicated that you were generally in favour of the stock dividend. In view of the fact that at year end we were approaching our limit of borrowing power, your Directors have approved another 5% stock dividend for 1975. This will have the effect of retaining all the 1974 earnings in our borrowing base, increasing the shareholders' equity by \$1,477,000.

FINANCIAL POSITION

This year for the first time we are including in our Report a consolidated statement of changes in financial position. We believe that it provides valuable additional information.

Since the beginning of the year assets under administration increased by some \$73 million to a total of \$728 million. Capital and Guaranteed Accounts assets increased by 14.7% to over \$305 million, and shareholders' equity increased from \$21.34 per

share to \$23.69 per share. Estate, Trust and Agency assets increased by \$34 million, or 8.8% to \$422 million.

\$35 million was invested in mortgages, primarily residential, bringing the total mortgage portfolio of the Company to \$223 million, or 73% of total assets.

During the year total commitments of \$73 million were made on behalf of the Company and for its clients. Your Company now administers 10,000 individual mortgages totalling \$400 million.

Personal and secured loans increased by \$1,771,000 or 115% over the previous year, bringing our total portfolio to \$3,313,000.

BORROWING POWERS

During the year we reached the limit of our borrowing powers, which essentially is 20 times the excess of our assets over liabilities. This limitation was eased, as I mentioned earlier, by disposing of long-term low-yielding municipal and corporate bonds whose market deficiency had to be deducted from our borrowing base.

Previously, we could only expand our borrowing base by the issue of additional shares, or by retaining earnings. The past year, however, has seen the enactment of important legislation on both federal and provincial levels which allows for increases to the borrowing powers of trust companies. The legislation provides that the Company may, with the approval of the Registrar, issue subordinated notes in lieu of shares. The subordinated notes may not exceed the amount of the equity in the Company, and will be limited initially to 25% of that amount. Your Directors and Officers are studying the potential benefits of this legislation.

LEGISLATIVE CHANGES

The recent Federal Budget should have a favourable effect on the trust industry due to the introduction of the Registered Home Ownership Savings Plan, and changes in the Registered Retirement Savings Plan which permit a taxpayer to contribute to a spouse's plan. The Registered Home Ownership Savings Plan (RHOSP) allows an individual who does not presently own a home to deposit up to \$1,000 per annum into a tax-sheltered trust, subject to a lifetime limit of \$10,000.

Although we made representations to the Minister of Finance, the Government did not see fit to exempt trust companies from the 10% surtax on corporation income tax which the recent budget imposed on non-manufacturing companies. This surtax reduced our 1974 earnings slightly, but will be less significant in 1975 as it applies to the period from April 1, 1974 to March 31, 1975.

The imposition in Ontario of the land speculation tax and the land transfer tax made investments in real property by non-residents much less attractive than previously. As mentioned earlier, this had a detrimental effect on our fee income in our international real estate operations and our emphasis in this area is now being moved to the western provinces and the province of Quebec.

We have taken advantage of the recent amendments to The Loan and Trust Corporations Act which permit trust companies to incorporate a mortgage financing corporation. This is a company which is permitted to borrow on its own account but is not permitted to take deposits from the public. It is restricted to making mortgages on real estate in the course of construction. We have incorporated CDI Financial Corporation under the Business Corporations Act of Ontario as an ancillary company to the Trust Company with an authorized capital of



Metro Trust

The Metropolitan Trust Company

and its subsidiaries

REPORT TO SHAREHOLDERS (continued)

\$4 million.

CDI Financial Corporation has been capitalized as a fully owned subsidiary of The Metropolitan Trust Company, but it is contemplated that Manufacturers National Bank of Detroit, a 10% shareholder of the Trust Company, will purchase through its subsidiary, Manufacturers Detroit International Corporation, shares in the new company. This purchase will take place as soon as approvals are received from the United States Federal Reserve Board and Canadian regulatory authorities. Control of CDI Financial Corporation will remain with The Metropolitan Trust Company.

To date CDI has advanced \$2,885,000 on short-term higher-yielding mortgages.

BRANCH OPERATIONS

During the year, in accordance with our planned expansion, two new branches were opened — the first in June at 3038 Bloor Street West in the Kingsway district of Metropolitan Toronto, and the second in the Capilano Mall in West Vancouver. In addition, we moved our main Vancouver branch to a better location at 544 Howe Street in downtown Vancouver.

If suitable locations can be obtained we plan to open another two new savings branches during 1975.

A number of marginal residential real estate offices were closed resulting in the consolidation of our residential real estate operations into four offices all in Ontario.

ESTATE, TRUST AND AGENCY

Our fee income, with the exception of real estate commissions, increased in all other areas of our

estate, trust and agency business. The following departments contributed to this growth:

Property Management has extended its operations to Vancouver, B.C., and Hull, Quebec. We now have 7,350 apartment units plus commercial, industrial and farm properties under management. Emphasis is being directed increasingly to condominium management, where it is felt our experience in servicing the largest property management portfolio managed by a trust company in Canada can provide invaluable assistance to the directors of condominium corporations.

Corporate Management manages the affairs of over 100 private companies whose assets exceed \$191 million. During the year Corporate Management fee schedules were revised, contributing to our increase in fees.

The Scholarship Department, which administers The International Scholarship Foundation scholarship programme totalling more than \$33 million held for approximately 38,000 subscribers, maintained its level of fee income for the year.

Personal and Corporate Trust, which encompasses the operations of the Pension Trust and Stock Transfer Departments, experienced an increased volume of business in estates under administration and inter vivos trusts. We doubled the number of Registered Retirement Savings Plans administered in 1973. Despite the decreased activity in the stock market we achieved an increase of over 100% in new transfer agencies, an expansion of activities which significantly increased fee income.

Mortgage Banking, whose specialized activity is the seeking out of mortgage investment opportunities for sale to institutional and pension fund investors, committed \$33,700,000 for client accounts, result-

ing in a substantial fee increase.

Increases in servicing fees from Mortgage Administration were directly related to the 18% growth of our Company and client portfolio of administered mortgages.

OUTLOOK

1974 was a year which continually demanded decisive management action to anticipate the effects the constant upward spiral of interest rates would have not only on earnings, but on the investment attitudes of depositors. It was a year in which the pressures of escalating costs for wages and business supplies demanded difficult administrative decisions. The combination of these factors, interest rates and operating costs, called for diligent money management and imposed restraints on growth to ensure that our resources were utilized in the most profitable manner.

Despite the many positive actions taken to enhance our earnings, the increase in day-to-day operational costs had an eroding effect on our performance and required a trimming of operations which were not immediately profitable and a consolidation in other marginal operations. The introduction of divisional management for our various service and support areas and the profit-centre approach attached to these divisions has placed a greater emphasis on cost control directly in the hands of the responsible and experienced individual in charge of each division.

The rapid decline of interest rates in early 1975 should certainly ease pressures on our cost of money; however, it is not expected that this condition will remain static, but rather once the economy has been fuelled again by the easing of restraints another upward trend will appear. Therefore, 1975

could present similar conditions to 1974, including the continuing escalation of all costs. However, with the steps that we have taken we are confident that we are prepared to cope with these problems. In assessing the outlook for earnings in 1975, the most significant factor is improving profit margins, or a widening spread between the average costs of deposits and the average rate of return on earning assets. But, offsetting this influence to some extent is the continuing uncertain outlook for earnings from our international operations, which in the past has been a major contributor to our profits.

However, the dominant facts of improved profit margins plus a rising volume of earning assets should be more than sufficient to produce a fair earnings improvement this year.

This is reinforced in our Company by significant improvements in profit planning as we implemented a number of programmes of cost analysis and profit centre objectives.

In conclusion, to our staff who throughout the year had to cope directly with the many changes in interest rates which resulted in numerous changes in the direction of our efforts, I extend the sincere appreciation of Management and Directors.



President



Metro Trust

The Metropolitan Trust Company

(Incorporated under The Loan and Trust Corporations Act of Ontario)
and its subsidiaries

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1974

(with comparative figures at December 31, 1973)

ASSETS	1974	1973
Cash and bank deposit receipts	\$ 27,711,000	\$ 20,284,000
Short-term investments, at cost which approximates market value	16,335,000	21,248,000
 Bonds:		
Government of Canada and Provincial	18,881,000	19,033,000
Municipal and corporate	<u>4,066,000</u>	<u>7,124,000</u>
Total, at amortized cost (market value 1974 – \$21,919,000; 1973 – \$24,261,000)	22,947,000	26,157,000
Stocks, at cost (market value 1974 – \$3,457,000; 1973 – \$596,000)	3,534,000	613,000
Interest accrued on investments and loans	2,907,000	2,409,000
Fees, commissions and other receivables	238,000	190,000
Income taxes recoverable (note 5)	700,000	–
 Loans and advances:		
Mortgage loans, at amortized cost	223,590,000	188,506,000
Advances on mortgages to be resold	1,084,000	2,174,000
Advances to estates, trusts and agencies	280,000	394,000
Personal and secured loans	<u>3,313,000</u>	<u>1,542,000</u>
	228,267,000	192,616,000
Income-producing properties, at cost less accumulated depreciation of \$49,000 (1973 – \$20,000)	1,288,000	1,310,000
Deferred cost of scholarship programme, less amortization	442,000	478,000
Premises, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$1,207,000 (1973 – \$1,021,000)	<u>1,058,000</u>	<u>939,000</u>
	<u><u>\$305,427,000</u></u>	<u><u>\$266,244,000</u></u>

(See accompanying notes to the consolidated financial statements)

LIABILITIES AND SHAREHOLDERS' EQUITY	1974	1973
Deposits and borrowings (note 2):		
Savings and chequing deposits	\$ 88,537,000	\$ 76,872,000
Term deposits	24,190,000	27,928,000
Investment certificates	169,715,000	141,131,000
Interest accrued on deposits and borrowings	5,673,000	3,999,000
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	288,115,000	249,930,000
Other liabilities:		
Sundry accrued liabilities	388,000	325,000
Income taxes payable	—	781,000
Mortgages payable on income-producing properties	742,000	771,000
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	1,130,000	1,877,000
Deferred income taxes	1,338,000	1,072,000
Shareholders' equity:		
Capital stock (note 3)		
Authorized: 1,000,000 shares without par value		
Issued: 626,479 shares (1973 — 596,571)	5,970,000	5,966,000
Contributed surplus	2,422,000	2,421,000
Reserve fund	4,000,000	3,500,000
Retained earnings	2,452,000	1,478,000
	<hr/>	<hr/>
	14,844,000	13,365,000
	<hr/>	<hr/>
	\$305,427,000	\$266,244,000
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On behalf of the Board:

ROLAND MICHENER
Chairman of the Board

T. STEWART RIPLEY
President

The Metropolitan Trust Company

and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1974

(with comparative figures for the year ended December 31, 1973)

	1974	1973
Income:		
Interest on mortgages	\$19,488,000	\$15,645,000
Interest and dividends on securities	5,646,000	3,869,000
Interest on personal and secured loans.....	324,000	134,000
Fees and commissions from –		
Estates, trusts and agencies	1,407,000	1,243,000
Real estate	1,571,000	2,154,000
Mortgages	595,000	463,000
Other sources	<u>238,000</u>	<u>138,000</u>
	<u>29,269,000</u>	<u>23,646,000</u>
Expense:		
Interest on deposits and borrowings	21,119,000	14,902,000
Salaries and staff benefits	3,594,000	3,087,000
Real estate commissions	934,000	1,061,000
Premises expense (note 4)	908,000	732,000
Other operating expenses	<u>1,729,000</u>	<u>1,612,000</u>
	<u>28,284,000</u>	<u>21,394,000</u>
Earnings before income taxes	985,000	2,252,000
Income taxes (note 5)		
Current (recovery)	(14,000)	696,000
Deferred	<u>266,000</u>	<u>327,000</u>
	<u>252,000</u>	<u>1,023,000</u>
Earnings before profits on sales of securities	733,000	1,229,000
Profits on sales of securities (note 6)	744,000	21,000
Earnings before extraordinary credit	1,477,000	1,250,000
Extraordinary credit – reduction in income taxes resulting from loss carry-forward	—	16,000
Net earnings	<u>\$ 1,477,000</u>	<u>1,266,000</u>
Earnings per share, based on the weighted average number of shares outstanding (1973 restated to reflect 5% stock dividend paid in 1974):		
Earnings before profits on sales of securities	\$1.17	\$1.99
Profits on sales of securities	1.19	.03
Extraordinary credit	—	.03
Net earnings	<u>\$2.36</u>	<u>\$2.05</u>

(See accompanying notes to the consolidated financial statements)

The Metropolitan Trust Company

and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1974

(with comparative figures for the year ended December 31, 1973)

Source of funds:	1974	1973
Operations –		
Earnings before profits on sale of securities	\$ 733,000	\$ 1,229,000
Add (deduct) non-cash items:		
Amortization of investments and mortgages	(505,000)	(522,000)
Depreciation of premises and income-producing properties	209,000	166,000
Deferred income taxes	266,000	327,000
Amortization of deferred cost of scholarship programme	36,000	22,000
	<u>739,000</u>	<u>1,222,000</u>
Profits on sales of securities	<u>744,000</u>	<u>21,000</u>
Total from operations	1,483,000	1,243,000
Extraordinary credit – recovery of income taxes		16,000
Issuance of capital stock	2,000	439,000
Increase in deposits and borrowings	38,185,000	59,540,000
Decrease in bonds and stocks (net)	449,000	
	<u>\$40,119,000</u>	<u>\$61,238,000</u>
Application of funds:		
Loans and advances	\$35,307,000	\$37,892,000
Investments in bonds and stocks		2,830,000
Additions to premises and equipment (net)	299,000	543,000
Increase in cash and bank deposit receipts and short-term investments	2,514,000	18,316,000
Cash dividends		517,000
Net increase in other assets and liabilities	1,999,000	81,000
Purchase of income-producing properties, net of mortgage assumed of \$771,000		559,000
Acquisition of Scholarship Consultants of North America Ltd.		500,000
	<u>\$40,119,000</u>	<u>\$61,238,000</u>

(See accompanying notes to the consolidated financial statements)

The Metropolitan Trust Company

and its subsidiaries

CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS, RESERVE FUND AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1974 (with comparative figures for the year ended December 31, 1973)

CONTRIBUTED SURPLUS	1974	1973
Balance, beginning of year	\$2,421,000	\$2,220,000
Premiums received on shares issued (note 3)	1,000	201,000
Balance, end of year	<u>\$2,422,000</u>	<u>\$2,421,000</u>
RESERVE FUND		
Balance, beginning of year	\$3,500,000	\$2,800,000
Add transfer from retained earnings	500,000	700,000
Balance, end of year	<u>\$4,000,000</u>	<u>\$3,500,000</u>
RETAINED EARNINGS		
Balance, beginning of year	\$1,478,000	\$1,429,000
Add net earnings	1,477,000	1,266,000
	<u>\$2,955,000</u>	<u>\$2,695,000</u>
Deduct:		
Dividends		
Cash (88 cents per share)	—	517,000
Stock (note 3)	3,000	—
Transfer to reserve fund	<u>500,000</u>	<u>700,000</u>
	<u>503,000</u>	<u>1,217,000</u>
Balance, end of year	<u>\$2,452,000</u>	<u>\$1,478,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, International Savings and Mortgage Corporation, Canadian First Mortgage Corporation, Metco Investments Limited, Scholarship Consultants of North America Ltd., and CDI Financial Corporation. CDI Financial Corporation was incorporated in July of 1974 and commenced operations in October of 1974.

(b) Deferred cost of scholarship programme

The deferred cost of scholarship programme represents the acquisition cost less amortization of all of the outstanding shares of Scholarship Consultants of North America Ltd., a company which administered a university scholarship programme of which The Metropolitan Trust Company is depository and trustee. As the acquisition will result in a reduction of future expenses the cost of the shares is being amortized over eight years, the period during which it is estimated the reduction in expenses will be realized.

(c) Depreciation and amortization

Company-owned premises, including income-producing properties, are depreciated on the straight line basis over forty years. Improvements to leased premises and furniture and fixtures are depreciated on the straight line basis over eight years. Automobiles are depreciated on the declining balance basis at an annual rate of 30%.

(d) Fees and commissions

Fees and commissions on real estate and mortgage transactions are recorded on the settlement of the transaction. Other fee income is accrued at the time the services are rendered.

(e) Income taxes

The company follows the tax allocation method of accounting for income taxes. Deferred taxes relate principally to mortgage reserves claimed for tax purposes which are in excess of amounts recorded in the accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. GUARANTEED TRUST ACCOUNT

Total deposits and borrowings of \$288,115,000 consist of guaranteed trust liabilities of \$220,885,000 (secured by assets of an equal amount) and deposits and debentures of subsidiary loan corporations of \$67,230,000.

3. CAPITAL STOCK

In 1974 the shareholders of the Company approved the conversion of all the authorized and issued capital stock from shares of the par value of \$10 each to shares without par value.

Also in 1974, 29,908 shares of the Company's capital stock were issued as follows:

	Number of Shares	Amount Capitalized or Issue Price	Credited to	
			Capital Stock	Contributed Surplus
On exercise of options (par value shares issued prior to conversion)	86	\$20.00	\$1,000	\$1,000
On payment of 5% stock dividend (shares without par value)	<u>29,822</u>	0.10	<u>3,000</u>	<u>—</u>
	<u><u>29,908</u></u>		<u><u>\$4,000</u></u>	<u><u>\$1,000</u></u>

At December 31, 1974 options were outstanding to employees to purchase 4,794 shares at \$20 per share. All options expire December 31, 1975.

4. PREMISES EXPENSE

Premises expense includes the following items:

	1974	1973
Depreciation	\$180,000	\$146,000
Rentals paid	543,000	457,000
Other	<u>185,000</u>	<u>129,000</u>
	<u><u>\$908,000</u></u>	<u><u>\$732,000</u></u>

The Company's head office and branch premises are held under long-term leases extending over the next 15 years. The minimum annual rental payable in 1975 under all leases currently in force totals \$560,000.

5. INCOME TAXES

Earnings before income taxes and profits on sales of securities include the following amounts which are not subject to income tax:

	1974	1973
Amortization of investments	\$262,000	\$278,000
Dividends and interest on income bond	<u>232,000</u>	<u>17,000</u>
	<u><u>\$494,000</u></u>	<u><u>\$295,000</u></u>

Income taxes recoverable at December 31, 1974 represents the recovery of 1973 income taxes resulting from the losses on sales of securities in 1974 (see note 6) and 1974 tax instalments.

6. PROFITS ON SALES OF SECURITIES

Profits on sales of securities consist of:

	1974	1973
Non-taxable net profits	\$1,131,000	\$ 5,000
Taxable net (losses) profits	<u>(764,000)</u>	<u>32,000</u>
	<u><u>367,000</u></u>	<u><u>37,000</u></u>
Income taxes recoverable (payable) on taxable net (losses) profits	<u>377,000</u>	<u>(16,000)</u>
	<u><u>\$ 744,000</u></u>	<u><u>\$ 21,000</u></u>

7. DIRECTORS' AND OFFICERS' REMUNERATION

Remuneration of directors and officers was as follows:

	1974	1973
Directors	\$ 24,000	\$ 23,000
Officers	<u>402,000</u>	<u>387,000</u>
	<u><u>\$426,000</u></u>	<u><u>\$410,000</u></u>

The Metropolitan Trust Company

and its subsidiaries

AUDITORS' REPORT

To the Shareholders of The Metropolitan Trust Company:

We have examined the consolidated balance sheet of The Metropolitan Trust Company and its subsidiaries as at December 31, 1974 and the consolidated statements of earnings, contributed surplus, reserve fund, retained earnings, and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances and we obtained all the information and explanations we required.

In our opinion these consolidated financial statements present fairly the financial position of The Metropolitan Trust Company and its subsidiaries as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 4, 1975

CLARKSON, GORDON & CO.
Chartered Accountants

MATURITIES SCHEDULE

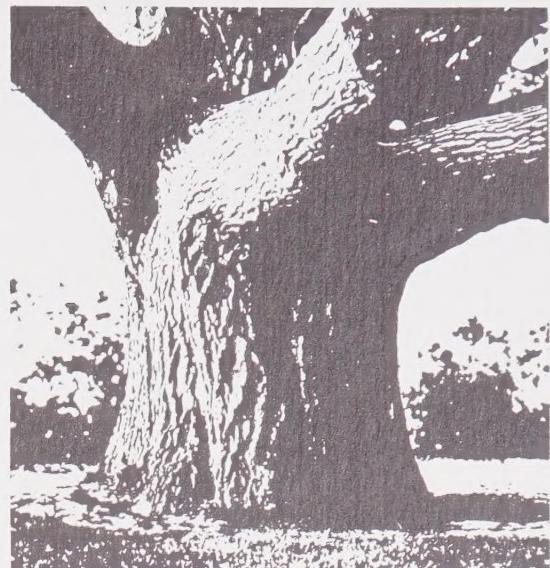
Maturities of Deposits & Borrowings (000's)

	December 31, 1974						December 31, 1973	
	Investment Certificates	Savings	Short-Term Deposits	Chequing	Total	%	Total	%
On demand and Due								
Within 1 year	\$ 44,114	\$70,804	\$24,190	\$17,733	\$156,841	55.5	\$132,327	53.8
1 to 5 years	125,499				125,499	44.4	112,092	45.6
6 to 10 years	102				102	.1	1,512	.6
	\$169,715	\$70,804	\$24,190	\$17,733	\$282,442	100.0%	\$245,931	100.0%

Maturities of Investments (000's)

	December 31, 1974						December 31, 1973		
	Cash and Bank Deposit Receipts	Short- Term Invest- ments	Secured Loans and Advances to clients	Securities	Mortgages	Total	%	Total	%
Due within 1 year	\$27,711	\$16,335	\$3,593	\$ 2,204	\$ 21,576	\$ 71,419	23.9	\$ 51,490	19.8
1 to 5 years				12,353	158,780	171,133	57.3	158,528	60.8
6 to 10 years				5,687	16,476	22,163	7.4	12,329	4.7
11 to 15 years				1,557	9,094	10,651	3.6	14,659	5.6
16 to 20 years				568	6,311	6,879	2.3	8,967	3.4
Over 20 years				578	12,437	13,015	4.4	14,332	5.5
Preferred and Common Stock				3,534		3,534	1.1	613	.2
	\$27,711	\$16,335	\$3,593	\$26,481	\$224,674	\$298,794	100.0%	\$260,918	100.0%

TALL OAKS FROM LITTLE ACORNS GROW



OUR GROWTH IN BRIEF

Assets, Deposits and Borrowings and Equity at December 31

	1974	1973	1972	1971	1970
Total Assets under Administration	\$728,021,000	\$654,538,000	\$536,182,000	\$618,566,000	\$484,000,000
Estates, Trusts and Agencies	\$422,594,000	\$388,294,000	\$333,615,000	\$458,587,000	\$340,000,000
Deposits and Borrowings:					
Savings and term deposits and investment certificates	\$288,115,000	\$249,930,000	\$190,390,000	\$148,745,000	\$122,915,000
Special guaranteed funds	—	—	—	—	13,405,000
	<u>\$288,115,000</u>	<u>\$249,930,000</u>	<u>\$190,390,000</u>	<u>\$148,745,000</u>	<u>\$136,320,000</u>
Deferred Income Taxes and Other Liabilities	\$ 2,468,000	\$ 2,949,000	\$ 1,256,000	—	—
Shareholders' Equity	<u>\$ 14,844,000</u>	<u>\$ 13,365,000</u>	<u>\$ 12,177,000</u>	<u>\$ 11,234,000</u>	<u>\$ 7,248,000</u>

Earnings

	1974	1973	1972	1971	1970
Earnings before Profits on Sales of Securities	\$ 733,000	\$1,229,000	\$1,173,000	\$ 734,000	\$423,000
Profits on Sales of Securities	<u>744,000</u>	<u>21,000</u>	<u>63,000</u>	<u>87,000</u>	<u>108,000</u>
Earnings before Extraordinary Credit	\$1,477,000	\$1,250,000	\$1,236,000	\$ 821,000	\$531,000
Extraordinary Credit—Tax Reduction	—	16,000	165,000	425,000	263,000
Net Earnings	<u>\$1,477,000</u>	<u>\$1,266,000</u>	<u>\$1,401,000</u>	<u>\$1,246,000</u>	<u>\$794,000</u>

Earnings Per Share (note)

Earnings before Profits on Sales of Securities	\$1.17	\$1.99	\$1.95	\$1.73	\$1.05
Profits on Sales of Securities	<u>\$1.19</u>	<u>\$0.03</u>	<u>\$0.10</u>	<u>\$0.21</u>	<u>\$0.27</u>
Earnings before Extraordinary Credit	<u>\$2.36</u>	<u>\$2.02</u>	<u>\$2.05</u>	<u>\$1.94</u>	<u>\$1.32</u>
Net Earnings	<u>\$2.36</u>	<u>\$2.05</u>	<u>\$2.33</u>	<u>\$2.94</u>	<u>\$1.98</u>

NOTE: For comparative purposes the earnings per share of prior years have been restated to reflect 1974 5% stock dividend.



Metro Trust

The Metropolitan Trust Company

and its subsidiaries

CDI FINANCIAL CORPORATION
CANADIAN FIRST MORTGAGE CORPORATION
INTERNATIONAL SAVINGS AND MORTGAGE CORPORATION
METCO INVESTMENTS LIMITED
SCHOLARSHIP CONSULTANTS OF NORTH AMERICA LTD.

SERVICES

SAVINGS ACCOUNTS

CHEQUING ACCOUNTS

GUARANTEED INVESTMENT CERTIFICATES

SAVINGS CERTIFICATES

TERM DEPOSITS

PERSONAL LOANS

REGISTERED RETIREMENT SAVINGS PLANS

ESTATE PLANNING

MORTGAGE FINANCING

REAL ESTATE SALES

REAL ESTATE COUNSELLING AND APPRAISALS

INVESTMENT FUNDS

INVESTMENT MANAGEMENT AGENCIES

TRUSTEE FOR PENSION PLANS

CORPORATE TRUST SERVICES

MORTGAGE CORRESPONDENT & SERVICING AGENT

PROPERTY MANAGEMENT

HEAD OFFICE

353 Bay Street, Toronto

869-1880

BRANCHES

TORONTO:

353 Bay St., P. Spalding, Mgr.	869-1880
2326 Bloor St. W., R. Beveridge, Mgr.	763-5551
3038 Bloor St. W., V. Snow, Mgr.	236-1107
681 Danforth Ave., L. Ruffolo, Mgr.	461-0221
43 Eglinton Ave. E., E. Natolochny, Mgr.	485-1173
852 Eglinton Ave. W., R. Reeves, Mgr.	789-2149
1171 St. Clair Ave. W., J. Crisostomo, Mgr.	654-8906
628 Sheppard Ave. W., D. Donaghy, Mgr.	638-1955
Thorncliffe Market Place, 45 Overlea Blvd. J. Williams, Mgr.	421-3900
Towne and Countrye Square, 6432 Yonge St. D. Webb, Mgr.	223-6420
1603 Wilson Ave. W., J. De Jong, Mgr.	244-1101

MISSISSAUGA:

Dixie Plaza, 1250 South Service Rd. J. Hyde, Mgr.	274-3681
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CHATHAM:

Thameslea Shopping Centre, 635 Grand Ave., J. McKay, Mgr.	354-5110
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WINDSOR:

The Metropolitan Trust Building, 500 Ouellette Ave., L. Wicks, Mgr.	252-7712
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MONTREAL:

7075 Cote St. Luc Rd., A. Barbusci, Mgr.	486-7393
2324 Lucerne Rd., J. Marcoux, Mgr.	735-1155
5268A Queen Mary Rd., F. Becker, Mgr.	481-2752
4861 Van Horne Ave., P. Nicell, Mgr.	731-6883

VANCOUVER:

544 Howe St., F. Benner, Vice-President 927 Marine Dr., V. Brown, Mgr.	688-0251 980-6061
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PROPERTY MANAGEMENT:

TORONTO: MAIN OFFICE: 15 Toronto St., T. Stella, Mgr.	869-1100
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REAL ESTATE:

MAIN OFFICE: 15 Toronto St. D.H.W. Bath, Vice-President	869-1880
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RESIDENTIAL DIVISION:

TORONTO AREA: 1599 Ellesmere Rd., Scarborough, W. Burton, Mgr.	291-7715
1250 S. Service Rd., Dixie Plaza, E. Svoboda, Mgr.	274-3681
3443 Yonge St., R. Stasiulis, Mgr.	483-3531

LONDON, ONTARIO

400 Adelaide St. N., H. Mohaupt, Mgr.	672-0520
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ICI DIVISION:

TORONTO: 15 Toronto St., G. Gailius, Mgr.	869-1100
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OTTAWA:

424 Queen St., F. Bahr, Mgr.	235-1458
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MONTREAL:

2324 Lucerne Rd., M. Handelsman, Mgr.	735-1155
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VANCOUVER:

Suite 2222, Board of Trade Tower 1177 West Hastings St., J. Relling, Mgr.	689-8761
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